

**UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
SEATTLE DIVISION**

PHIL CHEN, Individually and on Behalf of
All Others Similarly Situated,

Plaintiff(s),

v.

COSTCO WHOLESALE
CORPORATION, W. CRAIG JELINEK,
and RICHARD A. GALANTI,

Defendant(s).

No. _____

COMPLAINT – CLASS ACTION

JURY TRIAL DEMANDED

Plaintiff Phil Chen (“Plaintiff”), individually and on behalf of all other persons similarly situated, by Plaintiff’s undersigned attorneys, for Plaintiff’s complaint against Defendants, alleges the following based upon personal knowledge as to Plaintiff and Plaintiff’s own acts, and information and belief as to all other matters, based upon, inter alia, the investigation conducted by and through Plaintiff’s attorneys, which included, among other things, a review of the Defendants’ public documents, conference calls and announcements made by Defendants, United States Securities and Exchange Commission (“SEC”) filings, wire and press releases published by

1 and regarding Costco Wholesale Corporation (“Costco” or the “Company”), analysts’ reports and
2 advisories about the Company, and information readily obtainable on the Internet. Plaintiff
3 believes that substantial evidentiary support will exist for the allegations set forth herein after a
4 reasonable opportunity for discovery.

5 **NATURE OF THE ACTION**

6 1. This is a federal securities class action on behalf of a class consisting of all persons
7 other than Defendants who purchased or otherwise acquired Costco securities between June 6,
8 2018 through October 25, 2018, both dates inclusive (the “Class Period”), seeking to recover
9 damages caused by Defendants’ violations of the federal securities laws and to pursue remedies
10 under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) and
11 Rule 10b-5 promulgated thereunder, against the Company and certain of its top officials .

12 2. Costco engages in the operation of membership warehouses in the United States
13 (U.S.) and Puerto Rico, Canada, United Kingdom (U.K.), Mexico, Japan, Australia, Spain, France,
14 Iceland and through majority-owned subsidiaries in Taiwan and Korea. As of September 3, 2017,
15 Costco operated 741 warehouses worldwide. Through the membership warehouses, Costco aims
16 at offering low prices on a limited selection of national products in certain categories to produce
17 high sales volumes and rapid inventory turnover.

18 3. Given the size of the Company, including its worldwide operations, it is forced to
19 “rely extensively on information technology to process transactions, compile results, and manage
20 [its] businesses.”

21 4. Throughout the Class Period, Defendants made materially false and misleading
22 statements regarding the Company’s business, operational and compliance policies. Specifically,
23 Defendants made false and/or misleading statements and/or failed to disclose that: (i) Costco

1 lacked effective internal control over financial reporting; and (ii) as a result, the Company's public
2 statements were materially false and misleading at all relevant times.

3 5. On October 4, 2018, Costco issued a press release announcing its financial and
4 operating results for the fiscal fourth quarter and year ended September 2, 2018. In the press
5 release, Costco stated, in part, that "it expects to report a material weakness in internal control",
6 specifically "relat[ing] to general information technology controls in the areas of user access and
7 program change-management over certain information technology systems that support the
8 Company's financial reporting processes."

9 6. On this news, Costco's stock price fell \$12.86 per share, or roughly 5.55%, to close
10 at \$218.82 per share on October 5, 2018.

11 7. Then, on October 26, 2018, Costco filed its annual report for the fiscal fourth
12 quarter and year ended September 2, 2018, which reported that the Company had identified a
13 material weakness as previously described in its October 4, 2018 press release.

14 8. On this news, Costco's stock price fell \$8.21 per share, or roughly 3.63%, to close
15 at \$218.90 per share on October 26, 2018.

16 9. As a result of Defendants' wrongful acts and omissions, and the precipitous decline
17 in the market value of the Company's securities, Plaintiff and other Class members have suffered
18 significant losses and damages.

19 **JURISDICTION AND VENUE**

20 10. The claims asserted herein arise under and pursuant to §§10(b) and 20(a) of the
21 Exchange Act (15 U.S.C. §§78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC
22 (17 C.F.R. §240.10b-5).

23 11. This Court has jurisdiction over the subject matter of this action pursuant to 28
24 U.S.C. §§ 1331 and Section 27 of the Exchange Act.

12. Venue is proper in this Judicial District pursuant to §27 of the Exchange Act (15 U.S.C. §78aa) and 28 U.S.C. §1391(b) as the Company's principal executive offices are located within this Judicial District.

13. In connection with the acts, conduct and other wrongs alleged in this Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United States mail, interstate telephone communications and the facilities of a national securities exchange.

PARTIES

14. Plaintiff, as set forth in the attached Certification, acquired the Company's securities at artificially inflated prices during the Class Period and were damaged upon the revelation of the alleged corrective disclosures.

15. Defendant Costco is incorporated in Washington and maintains its principal offices located at 999 Lake Drive, Issaquah, WA 98027. Costco's common stock trades on the NasdaqGS ("NASDAQ") under the ticker symbol "COST."

16. Defendant W. Craig Jelinek ("Jelinek") was the Company's Chief Executive Officer ("CEO") at all relevant times.

17. Defendant Richard A. Galanti ("Galanti") was the Company's Chief Financial Officer ("CFO") at all relevant times.

18. The Defendants referenced above in ¶¶ 16-17 are sometimes referred to herein collectively as the "Individual Defendants."

19. The Individual Defendants possessed the power and authority to control the contents of the Company's SEC filings, press releases, and other market communications. The Individual Defendants were provided with copies of the Company's SEC filings and press releases alleged herein to be misleading prior to or shortly after their issuance and had the ability and

opportunity to prevent their issuance or to cause them to be corrected. Because of their positions with the Company, and their access to material information available to them but not to the public, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public, and that the positive representations being made were then materially false and misleading. The Individual Defendants are liable for the false statements and omissions pleaded herein.

SUBSTANTIVE ALLEGATIONS

A. Company Background

20. Costco engages in the operation of membership warehouses in the United States (U.S.) and Puerto Rico, Canada, United Kingdom (U.K.), Mexico, Japan, Australia, Spain, France, Iceland and through majority-owned subsidiaries in Taiwan and Korea. As of September 3, 2017, Costco operated 741 warehouses worldwide. Through the membership warehouses, Costco aims at offering low prices on a limited selection of national products in certain categories to produce high sales volumes and rapid inventory turnover.

21. In the Company's annual report for the fiscal year ended September 3, 2017, Form 10-K filed with the SEC on October 18, 2017, Costco acknowledges the importance of its information technology to its business. Specifically the Form 10-K states, in relevant part:¹

We rely extensively on information technology to process transactions, compile results, and manage our businesses. Failure or disruption of our primary and back-up systems could adversely affect our businesses. A failure to adequately update our existing systems and implement new systems could harm our businesses and adversely affect our results of operations.

Given the very high volume of transactions we process each year it is important that we maintain uninterrupted operation of our business-critical computer systems. Our systems, including our back-up systems, are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses,

¹ Emphasis added unless otherwise noted.

1 internal or external security breaches, catastrophic events such as fires, earthquakes,
 2 tornadoes and hurricanes, and errors by our employees. If our systems are damaged
 3 or cease to function properly, we may have to make significant investments to fix
 4 or replace them, and we may suffer interruptions in our operations in the interim.
 Any material interruption in these systems could have a material adverse effect on
 our business and results of operations.

* * *

If we do not maintain the privacy and security of member-related and other business information, we could damage our reputation with members, incur substantial additional costs, and become subject to litigation.

8 We receive, retain, and transmit personal information about our members and
 9 entrust that information to third-party business associates, including cloud service
 10 providers that perform activities for us. Our warehouse and online businesses
 11 depend upon the secure transmission of encrypted confidential information over
 12 public networks, including information permitting cashless payments. A
 13 compromise of our security systems or those of our business associates, that results
 in our members' information being obtained by unauthorized persons, could
 adversely affect our reputation with our members and others, as well as our
 operations, results of operations, financial condition and liquidity, and could result
 in litigation against us or the imposition of penalties. In addition, a breach could
 require that we expend significant additional resources related to the security of
 information systems and could disrupt our operations.

14 The use of data by our business and our business associates is regulated at the
 15 national and state or local level in all of our operating countries. Privacy and
 16 information-security laws and regulations change, and compliance with them may
 17 result in cost increases due to necessary systems changes and the development of
 18 new processes. If we or those with whom we share information fail to comply with
 these laws and regulations, our reputation could be damaged, possibly resulting in
 lost future business, and we could be subjected to additional legal risk as a result of
 non-compliance.

Our security measures may be undermined due to the actions of outside parties, employee error, internal or external malfeasance, or otherwise, and, as a result an unauthorized party may obtain access to our data systems and misappropriate business and personal information. Because the techniques used to obtain
 20 unauthorized access, disable or degrade service, or sabotage systems change
 21 frequently and may not immediately produce signs of intrusion, we may be unable
 22 to anticipate these techniques, timely discover or counter them, or implement
 23 adequate preventative measures. Any such breach or unauthorized access could
 result in significant legal and financial exposure, damage to our reputation, and
 potentially have an adverse effect on our business.

22. Moreover, in the 2017 10-K, the Company noted the roles the Individual Defendants played in reviewing the Company's internal controls:

As of the end of the period covered by this Annual Report on Form 10-K, we performed an evaluation under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities and Exchange Act of 1934 (the Exchange Act)). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Annual Report, our disclosure controls and procedures are effective.

B. Materially False and Misleading Statements Issued During the Class Period

23. The Class Period begins on June 6, 2018, when Costco filed a Form 10-Q with the SEC announcing the Company's financial and operating results for the third fiscal quarter and nine months ended May 13, 2018 ("Q3 2018 10-Q"), which was signed and certified under the Sarbanes-Oxley Act of 2002 by the Individual Defendants.

24. In the Q3 2018 10-Q, the Company noted the roles the Individual Defendants played in reviewing the Company's internal controls, stating in relevant part

Item 4—Controls and Procedures (Continued)

Chief Financial Officer, of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934 (the Exchange Act)). ***Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Quarterly Report, our disclosure controls and procedures are effective.***

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act) during our most recently completed fiscal quarter that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

25. Additionally, Defendants stated in the Q3 2018 10-Q that ***"There have been no material changes in our risk factors from those disclosed in [the 2017 10-K]."***

26. The statements in paragraphs ¶¶ 23-25 above were materially false and/or misleading because they misrepresented and failed to disclose the following adverse facts pertaining to the Company's business, operations, and prospects, which were known to Defendants or recklessly disregarded by them. Specifically, Defendants failed to disclose that: (i) Costco lacked effective internal control over financial reporting; and (ii) as a result, the Company's public statements were materially false and misleading at all relevant times.

C. The Truth Begins to Emerge

27. The truth concerning the Company's operations first was revealed to the public on October 4, 2018, when Costco issued a press release, also attached as Exhibit 99.1 to a Form 8-K filed with the SEC that same day, announcing the Company's financial and operating results for the fourth fiscal quarter and year ended September 2, 2018 ("FY 2018 Press Release"). The FY 2018 Press Release stated, in relevant part:

While the Company is still completing its assessment of the effectiveness of its internal control over financial reporting as of September 2, 2018, in its upcoming fiscal 2018 Annual Report on Form 10-K, it expects to report a material weakness in internal control. The weakness relates to general information technology controls in the areas of user access and program change-management over certain information technology systems that support the Company's financial reporting processes. The access issues relate to the extent of privileges afforded users authorized to access company systems. As of the date of this release, there have been no misstatements identified in the financial statements as a result of these deficiencies, and the Company expects to timely file its Form 10-K.

Remediation efforts have begun; the material weakness will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. The Company expects that the remediation of this material weakness will be completed prior to the end of fiscal year 2019.

28. On this news, Costco's stock price fell \$12.86 per share, or roughly 5.55%, to close at \$218.82 per share on October 5, 2018.

29. On October 26, 2018, Costco filed a Form 10-K with the SEC announcing the Company's financial and operating results for the fiscal fourth quarter and fiscal year ended September 2, 2018 ("2018 10-K"), which was signed and certified under the Sarbanes-Oxley Act of 2002 by the Individual Defendants. Therein, Costco stated in pertinent part:

We identified a material weakness in internal control related to ineffective information technology general controls (ITGCs) in the areas of user access and program change-management over certain information technology (IT) systems that support the Company's financial reporting processes. Our business process controls (automated and manual) that are dependent on the affected ITGCs were also deemed ineffective because they could have been adversely impacted. We believe that these control deficiencies were a result of: IT control processes lacking sufficient documentation such that the successful operation of ITGCs was overly dependent upon knowledge and actions of certain individuals with IT expertise, which led to failures resulting from changes in IT personnel; insufficient training of IT personnel on the importance of ITGCs; and risk-assessment processes inadequate to identify and assess changes in IT environments that could impact internal control over financial reporting. The material weakness did not result in any identified misstatements to the financial statements, and there were no changes to previously released financial results. Based on this material weakness, the Company's management concluded that at September 2, 2018, the Company's internal control over financial reporting was not effective.

30. On this news, Costco's stock price fell \$8.21 per share, or roughly 3.63%, to close at \$218.90 per share on October 26, 2018.

PLAINTIFF'S CLASS ACTION ALLEGATIONS

31. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired the Company's securities during the Class Period (the "Class"); and were damaged upon the revelation of the alleged corrective disclosures. Excluded from the Class are Defendants herein, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

32. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, the Company's securities were actively traded on the NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by the Company or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

33. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

34. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation. Plaintiff has no interests antagonistic to or in conflict with those of the Class.

35. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- whether the federal securities laws were violated by Defendants' acts as alleged herein;
- whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the business, operations and management of the Company;
- whether the Individual Defendants caused the Company to issue false and misleading financial statements during the Class Period;
- whether Defendants acted knowingly or recklessly in issuing false and misleading financial statements;

• whether the prices of the Company's securities during the Class Period were artificially inflated because of the Defendants' conduct complained of herein; and

• whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

36. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

37. Plaintiff will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

• Defendants made public misrepresentations or failed to disclose material facts during the Class Period;

• the omissions and misrepresentations were material;

• the Company's securities are traded in an efficient market;

• the Company's securities were liquid and traded with moderate to heavy volume during the Class Period;

• the Company traded on the NASDAQ and was covered by multiple analysts;

• the misrepresentations and omissions alleged would tend to induce a reasonable investor to misjudge the value of the Company's securities; and

• Plaintiff and members of the Class purchased, acquired and/or sold the Company's securities between the time the Defendants failed to disclose or misrepresented material facts and the time the true facts were disclosed, without knowledge of the omitted or misrepresented facts.

38. Based upon the foregoing, Plaintiff and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

39. Alternatively, Plaintiff and the members of the Class are entitled to the presumption of reliance established by the *Supreme Court in Affiliated Ute Citizens of the State of Utah v.*

1 *United States*, 406 U.S. 128, 92 S. Ct. 2430 (1972), as Defendants omitted material information in
 2 their Class Period statements in violation of a duty to disclose such information, as detailed above.

3 **COUNT I**

4 **(Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated
 5 Thereunder Against All Defendants)**

6 40. Plaintiff repeats and reallege each and every allegation contained above as if fully
 7 set forth herein.

8 41. This Count is asserted against Defendants and is based upon Section 10(b) of the
 9 Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

10 42. During the Class Period, Defendants engaged in a plan, scheme, conspiracy and
 11 course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions,
 12 practices and courses of business which operated as a fraud and deceit upon Plaintiff and the other
 13 members of the Class; made various untrue statements of material facts and omitted to state
 14 material facts necessary in order to make the statements made, in light of the circumstances under
 15 which they were made, not misleading; and employed devices, schemes and artifices to defraud in
 16 connection with the purchase and sale of securities. Such scheme was intended to, and, throughout
 17 the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members,
 18 as alleged herein; (ii) artificially inflate and maintain the market price of the Company's securities;
 19 and (iii) cause Plaintiff and other members of the Class to purchase or otherwise acquire the
 20 Company's securities and options at artificially inflated prices. In furtherance of this unlawful
 21 scheme, plan and course of conduct, Defendants, and each of them, took the actions set forth
 22 herein.

23 43. Pursuant to the above plan, scheme, conspiracy and course of conduct, each of the
 24 Defendants participated directly or indirectly in the preparation and/or issuance of the quarterly

1 and annual reports, SEC filings, press releases and other statements and documents described
2 above, including statements made to securities analysts and the media that were designed to
3 influence the market for the Company's securities. Such reports, filings, releases and statements
4 were materially false and misleading in that they failed to disclose material adverse information
5 and misrepresented the truth about the Company's finances and business prospects.

6 44. By virtue of their positions at the Company, Defendants had actual knowledge of
7 the materially false and misleading statements and material omissions alleged herein and intended
8 thereby to deceive Plaintiff and the other members of the Class, or, in the alternative, Defendants
9 acted with reckless disregard for the truth in that they failed or refused to ascertain and disclose
10 such facts as would reveal the materially false and misleading nature of the statements made,
11 although such facts were readily available to Defendants. Said acts and omissions of Defendants
12 were committed willfully or with reckless disregard for the truth. In addition, each Defendant
13 knew or recklessly disregarded that material facts were being misrepresented or omitted as
14 described above.

15 45. Information showing that Defendants acted knowingly or with reckless disregard
16 for the truth is peculiarly within Defendants' knowledge and control. As the senior managers
17 and/or directors of the Company, the Individual Defendants had knowledge of the details of the
18 Company's internal affairs.

19 46. The Individual Defendants are liable both directly and indirectly for the wrongs
20 complained of herein. Because of their positions of control and authority, the Individual
21 Defendants were able to and did, directly or indirectly, control the content of the statements of the
22 Company. As officers and/or directors of a publicly-held company, the Individual Defendants had
23 a duty to disseminate timely, accurate, and truthful information with respect to the Company's
24 businesses, operations, future financial condition and future prospects. As a result of the

1 dissemination of the aforementioned false and misleading reports, releases and public statements,
2 the market price of the Company's securities was artificially inflated throughout the Class Period.
3 In ignorance of the adverse facts concerning the Company's business and financial condition
4 which were concealed by Defendants, Plaintiff and the other members of the Class purchased or
5 otherwise acquired the Company's securities at artificially inflated prices and relied upon the price
6 of the securities, the integrity of the market for the securities and/or upon statements disseminated
7 by Defendants, and were damaged thereby.

8 47. During the Class Period, the Company's securities were traded on an active and
9 efficient market. Plaintiff and the other members of the Class, relying on the materially false and
10 misleading statements described herein, which the Defendants made, issued or caused to be
11 disseminated, or relying upon the integrity of the market, purchased or otherwise acquired shares
12 of the Company's securities at prices artificially inflated by Defendants' wrongful conduct. Had
13 Plaintiff and the other members of the Class known the truth, they would not have purchased or
14 otherwise acquired said securities, or would not have purchased or otherwise acquired them at the
15 inflated prices that were paid. At the time of the purchases and/or acquisitions by Plaintiff and the
16 Class, the true value of the Company's securities was substantially lower than the prices paid by
17 Plaintiff and the other members of the Class. The market price of the Company's securities
18 declined sharply upon public disclosure of the facts alleged herein to the injury of Plaintiff and
19 Class members.

20 48. By reason of the conduct alleged herein, Defendants knowingly or recklessly,
21 directly or indirectly, have violated Section 10(b) of the Exchange Act and Rule 10b-5
22 promulgated thereunder.

23 49. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the
24 other members of the Class suffered damages in connection with their respective purchases,

1 acquisitions and sales of the Company's securities during the Class Period, upon the disclosure
 2 that the Company had been disseminating misrepresented financial statements to the investing
 3 public.

4 COUNT II

5 (Violations of Section 20(a) of the Exchange Act Against The Individual 6 Defendants)

7 50. Plaintiff repeats and reallege each and every allegation contained in the foregoing
 8 paragraphs as if fully set forth herein.

9 51. During the Class Period, the Individual Defendants participated in the operation
 10 and management of the Company, and conducted and participated, directly and indirectly, in the
 11 conduct of the Company's business affairs. Because of their senior positions, they knew the
 12 adverse non-public information about the Company's misstatement of income and expenses and
 13 false financial statements.

14 52. As officers and/or directors of a publicly owned company, the Individual
 15 Defendants had a duty to disseminate accurate and truthful information with respect to the
 16 Company's financial condition and results of operations, and to correct promptly any public
 17 statements issued by the Company which had become materially false or misleading.

18 53. Because of their positions of control and authority as senior officers, the Individual
 19 Defendants were able to, and did, control the contents of the various reports, press releases and
 20 public filings which the Company disseminated in the marketplace during the Class Period
 21 concerning the Company's results of operations. Throughout the Class Period, the Individual
 22 Defendants exercised their power and authority to cause the Company to engage in the wrongful
 23 acts complained of herein. The Individual Defendants therefore, were "controlling persons" of the
 24 Company within the meaning of Section 20(a) of the Exchange Act. In this capacity, they

1 participated in the unlawful conduct alleged which artificially inflated the market price of the
2 Company's securities.

3 54. Each of the Individual Defendants, therefore, acted as a controlling person of the
4 Company. By reason of their senior management positions and/or being directors of the Company,
5 each of the Individual Defendants had the power to direct the actions of, and exercised the same
6 to cause, the Company to engage in the unlawful acts and conduct complained of herein. Each of
7 the Individual Defendants exercised control over the general operations of the Company and
8 possessed the power to control the specific activities which comprise the primary violations about
9 which Plaintiff and the other members of the Class complain.

10 55. By reason of the above conduct, the Individual Defendants are liable pursuant to
11 Section 20(a) of the Exchange Act for the violations committed by the Company.

12 **PRAYER FOR RELIEF**

13 **WHEREFORE**, Plaintiff demands judgment against Defendants as follows:

14 A. Determining that the instant action may be maintained as a class action under Rule
15 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the Class representative;

16 B. Requiring Defendants to pay damages sustained by Plaintiff and the Class by reason
17 of the acts and transactions alleged herein;

18 C. Awarding Plaintiff and the other members of the Class prejudgment and post-
19 judgment interest, as well as their reasonable attorneys' fees, expert fees and other costs; and

20 D. Awarding such other and further relief as this Court may deem just and proper.

DEMAND FOR TRIAL BY JURY

Plaintiff hereby demands a trial by jury.

Dated: December 10, 2018

s/Dan Drachler

Dan Drachler, WSBA No. 27728
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Submission Date

2018-11-13 18:12:40

CERTIFICATION PURSUANT TO FEDERAL SECURITIES LAWS

1. I make this declaration pursuant to Section 27(a)(2) of the Securities Act of 1933 ("Securities Act") and/or Section 21D(a)(2) of the Securities Exchange Act of 1934 ("Exchange Act") as amended by the Private Securities Litigation Reform Act of 1995.
2. I have reviewed a Complaint against Costco Wholesale Corporation ("Costco" or the "Company") and authorize the filing of a comparable complaint on my behalf.
3. I did not purchase or acquire Costco securities at the direction of plaintiffs' counsel or in order to participate in any private action arising under the Securities Act or Exchange Act.
4. I am willing to serve as a representative party on behalf of a Class of investors who purchased or acquired Costco securities during the class period, including providing testimony at deposition and trial, if necessary. I understand that the Court has the authority to select the most adequate lead plaintiff in this action.
5. To the best of my current knowledge, the attached sheet lists all of my transactions in Costco securities during the Class Period as specified in the Complaint.
6. During the three-year period preceding the date on which this Certification is signed, I have not sought to serve as a representative party on behalf of a class under the federal securities laws.
7. I agree not to accept any payment for serving as a representative party on behalf of the class as set forth in the Complaint, beyond my pro rata share of any recovery, except such reasonable costs and expenses directly relating to the representation of the class as ordered or approved by the Court.
8. I declare under penalty of perjury that the foregoing is true and correct.

Name

Print Name

Phil Chen

Acquisitions

Sales

Documents & Message

Upload your brokerage statements showing your individual purchase and sale orders.

(redacted)

Your Message

(redacted)

Signature

A handwritten signature in blue ink, appearing to read "Phil Chen". The signature is written in a cursive, flowing style. The first part of the signature is a stylized "P" followed by "hil", and the last part is "Chen".

Full Name

Phil Chen

(redacted)

Costco Wholesale Corporation (COST)

Chen, Phil

List of Purchases and Sales

| Date | Purchase or Sale | Number of Shares/Unit | Price Per Share/Unit |
|-----------|---------------------|--------------------------|-------------------------|
| 7/25/2018 | Purchase | 100 | \$218.5100 |
| 8/27/2018 | Purchase | 5 | \$229.5900 |
| 8/29/2018 | Purchase | 20 | \$229.5200 |
| 8/31/2018 | Purchase | 125 | \$232.3100 |
| 8/31/2018 | Purchase | 45 | \$232.6800 |
| 9/10/2018 | Purchase | 5 | \$243.4500 |
| 9/12/2018 | Purchase | 15 | \$242.8400 |
| 9/13/2018 | Purchase | 85 | \$243.2000 |
| 9/13/2018 | Purchase | 200 | \$241.3000 |
| 10/3/2018 | Purchase | 100 | \$233.5500 |
| 10/3/2018 | Purchase | 100 | \$233.5500 |
| 9/19/2018 | Sale | 100 | \$233.8400 |
| 9/26/2018 | Sale | 3 | \$234.3800 |
| 9/26/2018 | Sale | 100 | \$234.3800 |
| 9/26/2018 | Sale | 49 | \$234.3800 |
| 9/26/2018 | Sale | 48 | \$234.3800 |